

WHAT COULD THE PROPOSED NEW B-BBEE CODES DO TO BUSINESS SA'S COMMITMENT TO SOCIAL DEVELOPMENT?

Minister Rob Davies has published draft amendments to the existing B-BBEE Codes. Both progressive business and the non-profit sector are seriously questioning several aspects of these – to the extent that the DTI was last week moved to issue a press statement denying that the intention of the draft Codes is to disadvantage 'charitable organisations'. Paradoxically it is the changes to the Socio-Economic Development (SED) pillar – which currently carries the least points on the scorecard - which is drawing the most public criticism. In spite of the DTI's recent demurral, the intended changes have the potential to both impoverish non-profits and damage South Africa's burgeoning corporate social responsibility culture. At both practical and symbolic levels this is cause for grave concern.

The inevitable result of the precept which stipulates that only contributions '*... with the specific objective of facilitating income generating activities for targeted beneficiaries ...*' will be eligible for full SED scoring, will be that corporates withdraw funding from any but those organisations facilitating income generation. The final sweeping imperative in the draft is that the full value of SED contributions may be scored only '*... if at least (sic) 100% of the value directly benefits black people*'.

The mistake that the Minister and his advisors have made is two-fold, and may in fact be founded in a profound misunderstanding, or even more ominously, a negation of

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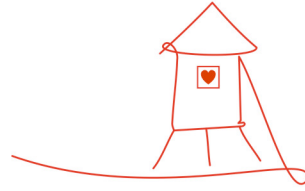
Bea Devlin (UK), Joanne Donald, Kelvin Glen, Lusanda Jiya, Sheila Mokoboto-Zwane,
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the role of the civil society or non-profit sector in South Africa. Most non-profits do not – and indeed **should not** – be in the business of facilitating ‘income generating activities’ (although many do). The majority of these organisations work in critical poverty alleviation and developmental areas such as health, home-based care; education, childcare, child-headed households, care for the aged, the disabled, etc. They help to build social capital and facilitate social cohesion. It is ironic given the proposed changes to SED requirements that without its partnerships with this sector, government's developmental programmes would be very significantly compromised.

In fact the proposed changes are nothing short of incomprehensible. While there is no doubt that the intention to foster ‘broad-based’ economic empowerment via the legislation has failed, and social and economic inequality has increased, the SED pillar has successfully encouraged corporate South Africa to invest in organisations that bring relief to the most destitute and marginalised sectors of society. These draft Codes are both deeply racist and in flagrant contradiction of South Africa's Constitution, in particular the Bill of Rights. In its current form the proposed SED amendments are regressive in the extreme and further fuel the perception within the non-profit sector that the current government is intent on controlling, if not destroying the sector.

Why is this important? What would South Africa look like if the non-profit sector was destroyed or drastically weakened? Before even considering the social development and welfare contributions, policy makers in both government and business should be considering that the sector is a massive employer, according to the latest available research second only to the mining sector. However, a recent GreaterGood survey of funding and employment completed by 690 organisations within the civil society sector, revealed that over 80% of organisations have experienced significant funding cuts during the past year. More than 43% of the sample have retrenched staff, resulting in a 17% contraction of employment in the sector.

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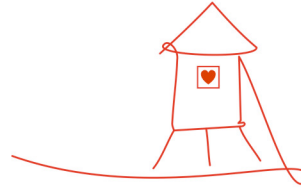
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According to the latest Trialogue research, the corporate sector is currently the largest funder to the sector, providing approximately R7 billion over the 2011/12 financial year.¹ The implementation of this draft code in its present form will spell disaster for the collaborative developmental relations which have evolved over years between NPOs and their corporate funders. Does the DTI really want to provoke yet more negative international press for South African business and government? Given the ongoing fallout from the Marikana tragedy is it not time that government departments worked together to develop a coordinated approach to fighting inequality – an approach that facilitates partnerships and leverages the strengths inherent within different sectors?

Trevor Manuel's National Development Plan (NDP) aims to '*... eliminate poverty and reduce inequality by 2030 ...*'. In this envisaged equitable South Africa the vision is that: '*Civil society promotes development and community cohesion. In many poor communities, welfare non-governmental organisations (NGOs) and other community-based organisations deliver vital social and employment programmes.*' The plan also speaks of '*... a review of funding for non-profit organisations ...*'. The NDP was formally adopted in Parliament – is the DTI not aware of this?

International studies show that in countries where legislation is more enabling – for example in Brazil - there are far-sighted company directors who are taking a pivotal role in regard to corporate involvement on entrenched societal issues. These leaders are re-thinking the social aspects of their business strategies and aligning these with societal needs. They are working together with government and civil society and the results are now apparent – Brazil's notorious rating as the 'most unequal' society on earth has declined, while it is South Africa which has taken over this unenviable position. This sort of visionary leadership

¹ Trialogue, CSI in South Africa – GreaterGood Forum, 8 November 2012

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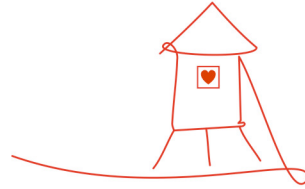
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recognises the inter-relationship of business and society, and ensures a policy environment that involves all stakeholders in building collective prosperity. Such approaches also build social cohesion and ensure that public trust in business and government is restored.

In emerging economies such as South Africa the larger proportion of corporate social spend should be invested in advancing the collective wellbeing of society. This can only be done in partnership with local communities and the NPOs that serve them. Public trust in the capitalist system has never been so low. Government leaders are very clearly not ensuring systemic and coordinated economic and social strategies. It remains to be seen whether leaders with the audacity to do things differently, and to invite communities into their world, will emerge. Certainly the proposed amendments to the B-BBEE Codes will do nothing to facilitate such a paradigm.

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